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February 12, 1996

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

Mr. William F. Caton
Secretary
Federal Communications Commission
1919 M Street, N.W.
Washington, DC 20554

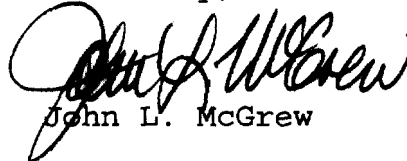
Re: Ex Parte Presentation in CC Docket 94-97, Phase II
VEIS Tariff Investigation

Dear Secretary Caton:

On Monday, February 12, 1996, representatives of Time Warner Communications ("TWComm") met with Paul D'Ari, Senior Attorney, and Richard Kwialkowski, Senior Economist of the Tariff Division staff. Representing TWComm were Don Shephard and John McGrew. Attached is an outline which describes the substance of TWComm's presentation.

Please let me know if you have any questions.

Sincerely,



John L. McGrew

Enclosure

cc: Paul D'Ari
Richard Kwialkowski

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LEC VIRTUAL COLLOCATION TARIFFS
DOCKET NO. 94-97

LECs have not met their burden of proof in responding to the Designation Orders.

Charges for Provisioning of Interconnector Designated Equipment (IDE) (A. 1)

- Commission has required LECs to base IDE prices on the lowest purchase price available.
- Most effective means to accomplish is \$1 sale/repurchase arrangement. Only SWBT and CBT refuse to provide this option.
 - Contentious issues of purchase price and vendor-sensitive information become moot.
- Commission must not allow SWBT's overt, anticompetitive attempt to influence vendor prices to undermine competitive policies.
- CBT approach to purchase IDE from interconnectors provides only minimum control over prices.
 - Lack of inventory control inflates interconnectors' costs.
 - Prices still include LEC overheads.
 - SWBT should be required to disclose its "vendor requirements" and apply prices retroactively.

Charges for Installation of IDE (A.2)

- SWBT should be required to pass on cost savings realized from use of outside contractors.
- "Average cost" argument is meaningless when SWBT maintains complete control over decision to use outside contractors.

Nonrecurring Charges for IDE (B.1)

- The recovery of IDE capital costs through a recurring rate structure does not create financial risk. Decision by SWBT/CBT not to offer \$1 sale/repurchase is the cause of any financial risk that may exist. Creating such risk does not justify a discriminatory rate structure.
- There are two options to avoid risk:
 - \$1 sale/repurchase solves problems of "financing competitors" and "limited capital budgets."
 - Full recovery with NRCs not only avoids risk, but also raises entry barriers for competitors.
- Upfront recovery only justifiable if two conditions are met:
 - IDE cannot be reused for LEC services.
 - SWBT data in Texas casts serious doubts about statements to FCC. Admits to continued purchase of AT&T equipment.
 - IDE cannot be reused for interconnectors.
 - Most likely a short term problem.
- Relevant question is whether LEC *can* reuse equipment, not whether it *plans* to do so.
 - Commission should require complete information from SWBT & CBT to determine which types of IDE are now reusable and should monitor reuse potential going forward.

- Nonrecurring Charge for IDE is not the equivalent of physical collocation.
 - SWBT & CBT would have the interconnector assume the risk of ownership without control over prices or the equipment itself.
- Commission should reconsider the requirement to offer \$1 sale/repurchase in light of the Telecommunications Act of 1996.
- At a minimum, any LEC refusing this option should be required to recover the associated capital costs of IDE over the depreciable life with a recurring rate structure.

Charges for Maintenance & Repair (A. 3)

- SWBT unique requirement for ACD equipment adds unnecessary and substantial cost, limits interconnector control, and poses network security risk.
- LECs offering \$1 sale/repurchase have used different methodologies to allocate maintenance (as well as power and floor space) costs to IDE vs. DS1/DS3 elements.
 - Reasonable to expect that comparable equipment would experience a comparable costs.
 - Commission should require a comparison of cost allocation and use of consistent methodologies.

Charges for Cable Installation and Support (A. 4)

- SWBT \$20,687 charge for riser tail and cable splice vs. \$7,907 direct cost.
 - Refused to provide additional support, as required.
 - Commission should adjust to include direct cost plus reasonable overhead.
- CBT has not supported its Riser Cable Space charge of \$18.64 per foot per month.
 - Charge includes over \$300 per foot investment in circuit equipment.
 - Riser Cable & Cable Termination element includes nearly \$4,000 investment in circuit equipment.
 - CBT has not explained appropriateness of recovering circuit equipment on a per foot basis.
 - TW Comm is paying nearly \$80,000 per year for 350 feet of cable riser space. Equivalent to over \$115,000 in circuit equipment investment.
 - Commission should require CBT to remove circuit equipment from its Cable Riser Space charge.

Training Provisions (B. 3)

- SWBT should be required to fully disclose equipment for which technicians are trained on an office-by-office basis.
- Commission should require CBT to fully justify its requirement to train 36 technicians.

Just and reasonable tariffs for expanded interconnection are essential to the development of competition and the implementation of the Telecommunications Act of 1996.

Don Shephard
Time Warner Communications
February 12, 1996

CERTIFICATE OF SERVICE

I, John L. McGrew do hereby certify that on this 12th day of February, 1996, copies of the foregoing Ex Parte filing by Time Warner Communications Holdings, Inc. were delivered by first class mail, unless otherwise indicated, to the following parties:

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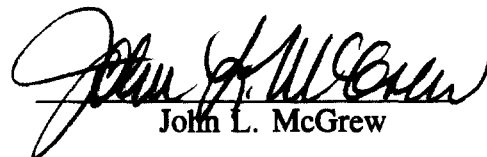
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